



February 24, 2017

To: Superintendents, Business Managers/Clerks, County Treasurers and County Superintendents

From: Kara Sperle, School Finance Division Administrator

Regarding: Accounting Guidance for the School Districts' Excess Oil & Natural Gas Production Tax
ARM 10.11.102, 20-9-310 (4)(a) MCA

ARM 10.11.102; 20-9-310 (4)(a), MCA establishes a process, criteria, and a mechanism for distribution using the negotiated rulemaking process. The negotiated rulemaking committee established zones in which the payment is to be distributed effective July 1, 2016.

Applicable Counties		
Zone 1	Zone 2	Zone 3
Carter	Custer	Big Horn
Dawson	Daniels	Blaine
Fallon	Garfield	Carbon
Richland	McCone	Chouteau
Roosevelt	Powder River	Fergus
Sheridan	Prairie	Glacier
Wibaux	Rosebud	Golden Valley
	Valley	Hill
		Liberty
		Musselshell
		Petroleum
		Phillips
		Pondera
		Stillwater
		Sweet Grass
		Teton
		Toole
		Treasure
		Yellowstone

Zone 1(2a) districts may expend funds received for the following:

- Recruitment efforts
- Moving expense

- Hiring bonuses
- Travel
- Student Loan repayment
- Housing
- Other initiatives to recruit and retain teachers

Zone 1(2b)(see graph below) districts must deposit and spend these revenues in funds from which “daily operations” are paid.

Zone 1 districts need to direct their county treasurers into which funds each type of money (2a and 2b) should be distributed.

The funding for infrastructure will be distributed through an annual grant process. All school districts in Zone 1 are eligible to apply individually or in conjunction with other school districts in Zone 1. Priority will be given to school districts with urgent and serious public health and safety issues, deferred maintenance, and proposals to enhance educational opportunities. Grant funds awarded to a school district under this subsection do not count against the maximum amount of oil and natural gas production taxes that it may retain under 20-9-310, MCA.

[Click Here](#) to access the grant application.

Zones 2 and 3 school districts must deposit any excess oil and natural gas production taxes received in a budgeted fund of the district and record the revenue as oil and natural gas production taxes. Districts should direct their county treasurers which funds to use. The monies may be used in accordance with the purpose of the fund into which the monies are deposited.

All the funds eligible for these dollars are budgeted funds, therefore, a budget amendment may be required to spend them.

As per 20-9-310 (4)(a) MCA, New Rule II	Deposit to Fund	Eligibility for Payment
Zone 1		
2(a) For efforts to recruit and retain qualified educators and staff.....5%	01, 29	Eligible regardless of O&G limit
2(b) For the daily operations of school districts.....60%	01, 10, 13, 28, 29	Until Oil & Gas limit is met
2(c) For infrastructure projects in school districts (grant program).....35%	15	1. Must apply for grant 2. Does not counted against max
Zone 2	Any Budgeted Fund	
Zone 3	Any Budgeted Fund	

[Click Here](#) to access the funding allocation for Zone 1 2(a) and 2(b).

For accounting questions please contact Mari Haefka at 406-444-1960 mhaefka@mt.gov or Steve Hamel at 406-444-0783 shamel@mt.gov or Kara Sperle at 406-444-3249 or ksperle2@mt.gov.